



A STUDY OF THE SCOPE OF TEXTILES INDUSTRY IN UTTAR PRADESH AFTER GST

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ABSTRACT

The GST is regarded as a destination-based tax applied on the consumption of a variety of products and services, Setoff is permitted in the form of input tax credits to business parties involved in those processes. The GST is levied at every stage of production up until the final consumption is made. Almost two thirds of the raw materials and related textile goods that Uttar Pradesh purchased came from other states. As a result, it is particularly significant to Uttar Pradesh's economy. The textile industry and its supporting manufacturing businesses offer the second-highest number of job opportunities after agriculture. Employment sector with enormous potential for state development in the textile industry. The State has a high demand for employment creation. Uttar Pradesh being the most populated state in India, has a sizable market for textile goods. There are numerous prospects to establish a cotton industry in the State in order to address this need. The goal of this policy is to increase employment prospects in this industry while also enhancing the nation's manufacturing base. We will talk about the current, difficulties, and enormous opportunities in the textile sector for both production and consumption in this essay.

KEYWORDS: GDP, GST COUNCIL, MEIS, MAI

INTRODUCTION

GST is considered as one of the important tax reforms in the history of Indian Taxation system. It has very much affected almost all the sectors of the Indian economy. textile industry is one of the most out-performing industries in India. It contains 2nd largest population in world. As an outsized sector it plays a full of life role within the economy with market size extraordinary in billion USD and additionally regarding GDP, employment, export promotion, etc. It's one among the oldest producing business within the country and second largest, when agriculture. The contribution to GDP is concerning five nothing, and therefore the share within the combination exports reaches up to 100. The Indian textile business is labour intensive and is one among the most important employers with a contribution of 14% to overall index of business Production (IIP). This study focused on the result of modern taxation framework referred to as "GST started by the administration on the textile business.

The Textile business has two segments:

- **Organised-** this sector consists of spinning, garment and that uses fashionable machinery and techniques.
- **Unorganised-** The organised textile sector includes handicraft, handloom, small scale and medium scale mills

Literature review:

- Anshu Ahuja (2017) in this paper study titled "Perception of people towards Goods & service tax" has estimated that the GST are going to be fruitful in the process of the reduction of tax. It is also believed that it will work as a transparency system and a little too. The researcher concluded by saying that farmers and the small businessman should definitely provide with the tax relaxation.
- Poorani & Dr. J. Vidiya (2019)—In their research study titled "A study on customer's perception towards Goods and services Tax (GST)" have stated that, GST will definitely increase the level of GDP and the Consumers satisfaction with the four tiers of GST. The Consumers are aware of the GST rates. The perception of the consumers revealed that consumers have positive opinion amongst consumers.

Objective of study:

- The objective of study is to know about types of GST tax on fabrics and types of goods that have different tax rates applicable.
- To study for the unorganised sectors, government policies and schemes for the expansion of textile industry in Uttar Pradesh.

Research methodology: This research paper is in descriptive and analytical in nature, data is used as secondary data. Sources are various types of newspaper, research journals, articles, internet and GST websites that interperate the impact of GST on the textile industry.

Analysis and discussion: Various fabrics rates- From January 2022, the GST rates on clothes overall was going to be fixed at 12% irrespective of value. It means that the GST rates on clothes of any value whether below Rs.1,000 or more than Rs.1,000 is 12%, compared to the earlier GST of 5% on garments priced up to Rs.1,000. GST on textiles including woven fabrics, synthetic yarn, pile fabrics, blankets, accessories such as tablecloths, serviettes or tapestries, and

rugs was going to be increased from 5% to 12%. But this is not notified by the GST council, so until then the existing rate of 5% continues to apply for the lower value slab of Rs.1,000 or less. Further, a GST of 12% applies where the value of garments is more than Rs.1,000. Tailoring services attract GST rate of 5% under HSN code 9988. Rent out of clothes attract the same rates as given above. The rate of GST on stitched and readymade clothes is 5%. The Council had decided to reduce the GST rate on tailoring services from 18% to 5%. GST on clothes ranges between 5% to 12% depending upon the value. Further explanation has been given below-

Particular	Old Tax Regime	GST Rate
Cotton		
Less than Rs.1000	7-8%	5%
Greater than Rs.1000	8-9%	12%
Synthetic & Blended		
Less than Rs.1000	8-10%	5%
Greater than Rs.1000	9-11%	12

Explanation- The impact of this chart shows that the costlier product price become more expensive after limit and cheaper clothes are taxed at lower rate it means that the tax burden impact on the higher income level where as lower income consumers taxed are lower rate in the above both charts.

In previous time when the State was famous for its traditional industries like textiles, including handlooms and power-looms, in the nation and also abroad. However, now a day the textile industry of Uttar Pradesh is struggling for its identity. In order to renovate the textile industry of the State there is a dire need of technical up-gradation and fresh investment.

Instead of the most populated State of India, Uttar Pradesh also offers the largest consumer market in the country.

Integrated development of a large state is important for the development of the nation. To meet demand of it, Uttar Pradesh procures about two-third of raw material and related textile products from other states.

The State Government has been regularly trying to renovate its traditional handloom and textile industry and this U.P Textile and Garmenting Policy 2017 has been prepared to achieve complete success in this endeavour. In back mentioned policy covers all sub branches of textile industry such as sericulture (including chaaki and koya production), reeling, handloom, spinning, weaving, knitting, texturizing, dyeing, processing, garmenting (i.e. garment manufacturing, embroidery, embroidered fabrics, made-ups, home textiles, fashion accessories, leather garments and accessories), and all types of technical textiles and jute products. Provisions have been prepared in this policy to give special incentives to Poorvanchal, Bundelkhand and Madhyanchal after considering the suggestions (inputs) received from various industries in textile sector and industrial associations. This policy would encourage new investment in the textile

industry of the state and generate lakhs of direct and indirect employment opportunities. To make textile, handloom and sericulture industry successful and meaningful, focus has been laid on rationalisation of labour laws.

Due to extraordinary price increases in raw materials like yarn, packing materials, and freight, the market is likely to experience a 15-20% price increase in clothing in the near future. The traders lament the fact that individuals who purchase clothing for less than Rs 1,000 will be the most affected.

Cloth traders claimed that trading activity has been hampered for the previous two years by the Covid-19 pandemic, but is progressively increasing. They had good hopes coming with the year 2022-23, but the same was shattered with the above announcement.

Important hubs in Uttar Pradesh

Uttar Pradesh is playing significant role in the textile production of the total production in Indian export and for domestic consumption. Bhadohi Varanasi Mirzapur Kanpur Varanasi has played a key role in the textile production in UP, Major cluster of handmade carpets and silk sarees in India.

Important textile institution in UP- PNIFT Raebareilly, UP textile institute Kanpur and Indian institute of handloom technology Varanasi.

Government schemes for boosting textile industry- PM handloom weavers, Mudra yojana, Power loom development scheme and Cluster development programme.

Key policies to support- Capital investment subsidy, Interest subsidy, SGST return, Export incentive

Key player in textile market

Fab India, Raymond, Arvind, Threads India Ltd, Sevachiken Lucknow.

Key policies objectives

Attract investment create new job opportunities, promote make in India and meet domestic demand for textiles, ensuring rapid availability of skilled labour in textile industry.

Policies for textile industry in Uttar Pradesh

Land Subsidy provided by the govt. 50% of land cost (up to 30% in Gautam Buddha Nagar district) on land purchase from State Agencies.

Stamp Duty exemption for newly setup textile industry 100% (75% in Gautam Buddha Nagar district).

SGST refund for 10 years of 90% of tax to MSME units, 80% to Mega units

Electricity Duty fully exempted (100%) to new units for 10 years.

Capital Investment Subsidy 25% for plant and machinery based on investment

Interest Subsidy 7% up to Rs 1.5 cr. (up to Rs 75 lacs for GB Nagar) for 7 years for procurement under TUFs.

Infrastructure Interest Subsidy 5% up to Rs 1 cr. for 5 years per unit for developing infrastructural amenities.

Quality Development Subsidy 5% up to Rs 1 cr. for 5 years per lab for research and quality improvement.

EPF reimbursement for 5 years to new unit 50% with min 100 workers & 60% with min 200 workers Special Incentives for Textile Parks.

Stamp duty exemption 100% to developer (except in GB Nagar district), and 50% to first buyer of plot/unit.

Interest Subsidy 50% on purchase of land for 7 years up to Rs 50 Cr; and 60% for 7 years.

UP government announced that there will be a mega textile park established in Lucknow in 2023.

Suggestions

- There is scope to develop contribution to GDP currently which is very low in UP and India.
- This mostly types of businesses under the SME/MSME or not covered under the government data need to be nourished by appropriate financial and technical assistance and tax rebate and subsidies.
- Govt. should setup some Government units for the employment purpose and for this the living standard increases develop a big market and producer for India.
- Need for develop more SEZ units for textile industry as like NOIDA as technological parks in north central Uttar Pradesh.

CONCLUSION

In textile industry Uttar Pradesh the global textile hub in the next five years, the

State government will set up about 115 export-oriented textile units by next month with an investment of Rs 3000 crore. In the next 100 days, foundation stone of flatted factory complexes in Agra, Gorakhpur, Varanasi Bhadohi and Kanpur will be laid which include the setting up of units of garment production. unorganized sector consider for over 80% of fabric production in the country

Government setting up five new textile and apparel parks on PPP mode is being accelerated and the UP government has proposed development of handloom and textile clusters in each block of the state in the next five years.

A proposal has been submitted to the central government to establish a mega textile park with an investment target of Rs 10,000 crore under the PM Mitra scheme.

Under Merchandise Exports from India Scheme (MEIS) have been enhanced from 2% to 4% for garment and made-ups, 5% to 7% for handloom and handicrafts w.e.f. 1st November 2017. Financial assistance is also assisted to exporters under Market Access Initiative (MAI) Scheme. Government has enhanced interest equalization rate for pre and post shipment credit for exports done by MSMEs of textile sector from 3% to 5% w.e.f. 02.11.2018. Gain of Interest Equalization Scheme have been extended to merchant exporters from 02.01.2019 which was earlier limited to only manufacturer exporters.

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